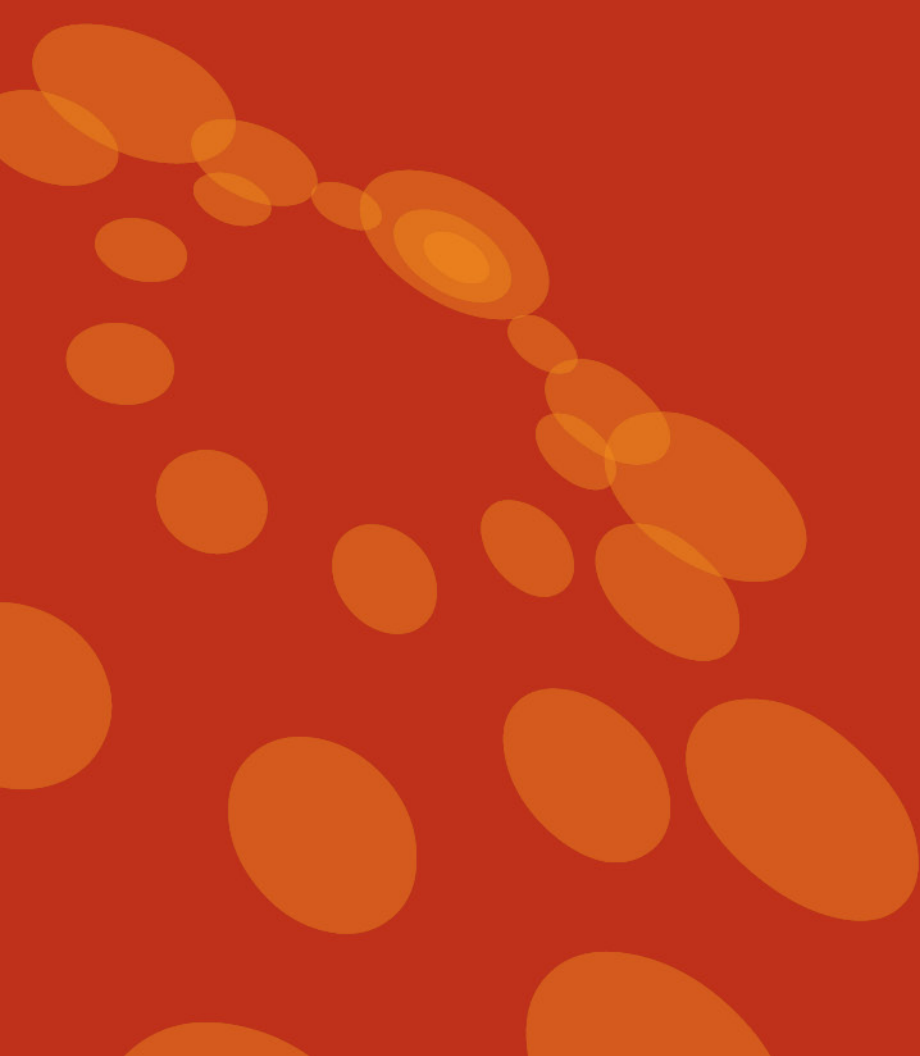




**AEMC CONSULTATION PAPER: UPDATING THE
ELECTRICITY B2B FRAMEWORK**



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EXECUTIVE SUMMARY

The ENA is the national industry association representing the businesses operating Australia's electricity transmission and distribution and gas distribution networks. Member businesses provide energy to virtually every household and business in Australia. ENA members own assets valued at over \$100 billion in energy network infrastructure.

ENA appreciates the opportunity to make a submission to the AEMC consultation on updating the B2B framework. Cost effective and efficient communications between parties to deliver services enabled by advanced meters is needed to support improved services to customers.

ENA fully endorses the view that current B2B provisions need updating to ensure that these advanced metering services are provided by default in B2B communications (unless otherwise agreed by the parties) and that other parties utilising these services and communications channels are covered for security/ compliance purposes.

ENA considers that it is essential to the success of this process to ensure input and oversight by the appropriate parties and that the revision of the B2B services is delivered in a coherent, timely and competent manner.

ENA believes that it is critical that the B2B framework is amended and system builds finalised and in place to support the commencement of competitive metering services for small customers.

To enable a reasonable chance for this timeframe to be met, procedures need to be finalised by end December 2016. For this to be achieved, ENA considers that this will need to be undertaken by the current IEC with immediate commencement to amend the B2B procedures to support both advanced metering services and current B2B services. IEC will need to operate with transparent and comprehensive engagement by open meetings and workshops to engage all interested parties.

If a revised governance body is deemed to be essential to appropriate modification of the B2B procedures, then the commencement date for contestable metering must be delayed for 12 months to enable all parties to be ready.

In either case, a readiness review will be required to ensure market participant and system preparedness prior to commencement.

Attached at Appendix A are ENA responses to the specific questions posed by the AEMC.

RECOMMENDATIONS

ENA recommends that:

1. ENA recommends that, to provide the best opportunity to enable introduction of contestable metering and advanced metering services for small customers on the target date of 1 December 2017, the current IEC be tasked with revising B2B procedures by end December 2016.
2. The composition of the future IEC should be as proposed by the COAG Energy Council, but with the discretionary members replaced by a second representative for each of DNSPs and retailers.
3. The Chair of the IEC should be an independent member and be elected by the IEC membership.
4. Independent members of the IEC should be nominated by a market participant and voted upon by all market participants.
5. After introduction of B2B participants into the market, B2B participants should also be eligible to nominate and vote upon independent and discretionary members of the IEC.
6. The new B2B procedures and upgraded B2B e-hub must be introduced at the same date as the metering contestability rule change commencement.
7. A 'readiness review' needs to be undertaken mid 2017 to ensure market participant and system preparedness prior to commencement of the major changes associated with metering competition.
8. New B2B procedures should include advanced services including network services such as load control that customers currently expect.

ACHIEVING THE KEY OBJECTIVE

In the view of the ENA the key objective shared by major stakeholders is to deliver effective, efficient advanced metering services to small customers, targeted to commence 1 December 2017. This should be the short term focus of all stakeholders.

Protracted engagement has been undertaken by very many committed stakeholders throughout years of consultation to develop a policy framework to deliver competitive metering services for small customers. Significant goodwill has been demonstrated throughout the process seeking to achieve this outcome.

ENA supports the objective and considers that a key requirement from the current consultation considering the operational implementation issues is to ensure that the current process does not inadvertently put at risk the achievement of the key objective.

ENA has identified key risk factors relating to:

- » the complex interactive processes to be delivered to a very tight timeframe;
- » rigid interpretations of roles and responsibilities inhibiting commencement of key processes;
- » apparent inadequate focus on priority setting to achieve the outcome.

ENA considers that these risks need to be managed to maintain the key objective to deliver a successful contestable metering framework for small customers.

ENA considers that the engagement of the wide range of interested parties at the strategy day held by the IEC on 19 January 2016 illustrated the commonality of purpose and commitment to support delivery of the framework.

Representatives from retailers, distributors, service providers and consumers identified common positions relating to the need for B2B processes to support advanced services at the commencement of metering competition.

However the day also demonstrated clear concern at the delay in commencing and prosecuting the major implementation tasks agreed by all stakeholders.

ENA believes that to achieve a commencement of 1 December 2017 identification of the essential changes to B2B procedures to support contestable metering and advanced services must be commenced immediately.

However, this process is being blocked by procedural rigidity. Both AEMC and AEMO have identified with a position to delay consideration of changes to the B2B procedures to support advanced metering services until the final determination of the B2B framework rule change in May 2016. Under the current proposal, commencement would be further delayed to enable formal reconstitution of the IEC to oversight the process.

The revised B2B and related procedures are not available, even under optimistic views of this timeline, until April 2017. This leaves inadequate time for industry participants to develop and implement the business changes, testing processes and systems to support introduction of contestable metering on 1 December 2017 taking into account such comprehensive changes.

ENA considers that some aspects of the process should be reconsidered and has identified two potential options to achieve the key objective:

ENA option one (preferred)

- » the review of B2B processes to cover both changes for contestable metering and advanced metering services should be undertaken by the current IEC and completed by end December 2016;
- » the IEC should be tasked with ensuring open and transparent processes, with meetings and workshops enabling participation and recording views of all stakeholders, with accounts by IEC of how all views have been assessed;
- » that this process should be oversighted by AEMC; and
- » reconstitution of the IEC should be delayed until after commencement of metering contestability.

ENA considers that this strategy would give the best possibility of successful commencement of metering contestability on the scheduled commencement date of 1 December 2017.

ENA option two

ENA agrees in principle that the IEC should include representation by key stakeholders engaged in advanced metering services. However, ENA considers that with the willing cooperation of all stakeholders, this process is less critical to introduction of metering contestability.

The process described by the AEMC of requiring finalisation of the structure of the new IEC by May 2016, drafting and implementing procedures to elect members before commencing review of the critical B2B procedures will delay process commencement by at least six months.

Familiarisation of new members with processes to change the procedures is likely to take a further period.

If it is considered essential to reconstitute the governance body prior to commencing amendment of B2B processes to support advanced metering services, then the ENA considers that that the schedule for introduction of contestable metering will require reconsideration.

An extension of around 12 months will be necessary to enable comprehensive reconstruction of the IEC, revision of procedures and adequate time for industry to build, test and introduce changes.

ENA notes that for comprehensive change on the scale considered it is not feasible for industry participants to risk system builds on the basis of draft outcomes.

Recommendation

1. ENA recommends that, to provide the best opportunity to enable introduction of contestable metering and advanced metering services for small customers on the target date of 1 December 2017, the current IEC be tasked with revising B2B procedures by end December 2016.

FUTURE GOVERNANCE

As noted above, the ENA considers that in order to achieve the key objective, the current IEC should immediately undertake open, transparent review of the B2B procedures.

However, ENA agrees that future governance would be aided by broader representation on the oversight body. However, it remains critical for this body to be a genuine and effective industry representative body, supported by resources and budget adequate for it to achieve its regulated purposes.

ENA supports the composition of the IEC as proposed under the COAG Energy Council rule change with two major amendments:

1. replacement of the two proposed discretionary members by a second DNSP and a second retailer representative.
2. the Chair of the IEC **must** be an independent member to ensure impartiality and maintenance of decisions and processes in line with the B2B Principles.

MEMBERSHIP OF IEC

The makeup of the IEC must reflect the relative significance and exposure of stakeholders to the decisions under consideration.

ENA has consistently advocated the need for oversight of the B2B processes by an industry body and supports the COAG Energy Council and AEMC endorsement of this view. However, it is apparent that there is a critical need to ensure availability and utilisation of expertise and experience especially in the current context of rapid and comprehensive changes being implemented across inter-related systems and procedures.

ENA considers that the knowledge and experience of distributors and retailers (and independents) within the current IEC should be recognised and continued. Both distributors and retailers need and warrant two representatives on the reconstituted IEC.

In addition to their relevant experience, this also reflects the fact that these groups will be at greatest financial exposure to both adverse and unwise system outcomes and to greatest participant fees to support future B2B system development and operation.

Because they will be reliant upon and financially most exposed, these groups have greatest incentive to ensure efficient and cost effective operation. As the IEC will also have oversight of the expansion of services to be made available on B2B processes, retailers and distributors will have key roles in identifying and broadening application of new services for small customers.

The increased representation also recognises the need for DNSPs to cover major jurisdictional differences and for retailers to ensure representation of both major and second/third tier retailers.

CHAIR OF IEC

The Chair of the IEC must remain independent. There will be many different groups represented upon the reconstituted IEC and it will be the key responsibility of the Chair to ensure that the IEC operates in line with the revised B2B Principles.

As now, the Chair would be elected from the two independent members by the membership of the IEC.

Past operation has demonstrated the valuable contribution of independent members to the IEC and their robust and competent chairing performance. ENA does not consider that change of this successful past practice is justified.

ENA does not support enhancement of the role of AEMO in the operation of the IEC, either by allocation of the Chairing role or by enhancing their ability to overturn or ignore decisions of the industry body.

The paramount value of an industry body is to ensure decisions and processes that are critical to business operations are made by the parties that are best informed and most closely impacted by them.

This major principle would be contradicted by introducing an AEMO Chair with effective capacity to undermine IEC operations, when combined with enhanced AEMO power to block or overturn an IEC (industry) decision. This is directly contrary to good governance procedure.

ENA PROPOSED MEMBERSHIP OF IEC

The following table provides ENA's proposed membership structure for the IEC.

| ENA proposed membership of the IEC |
|---|
| 2 independent members (one of whom to be elected by IEC members to Chair) |
| 2 retailer members |
| 2 DNSP members |
| 1 metering member |
| Up to 1 third party B2B participant member |
| 1 consumer member |
| 1 AEMO representative |
| Total: up to 10 members |

ENA considers that current practices for selection of independent members of the IEC should guide future representation from independent members.

Nominations for these positions should be sought from market participants and voted on by representatives of all market participants.

Once the positions of B2B participants become operational in the market, they should also become eligible to nominate and vote for independent members of the IEC.

All members of the IEC would then be eligible to vote for Chairman from the independent members.

Recommendations

ENA recommends that:

2. The composition of the future IEC should be as proposed by the COAG Energy Council, but with the discretionary members replaced by a second representative for each of DNSPs and retailers.
3. The Chair of the IEC should be an independent member and be elected by the IEC membership.
4. Independent members of the IEC should be nominated by a market participant and voted upon by all market participants.
5. After introduction of B2B participants into the market, B2B participants should also be eligible to nominate and vote upon independent and discretionary members of the IEC.

IMPLEMENTATION

Both the COAG Energy Council and the Red/Lumo Energy rule requests include the requirement that the B2B e-hub would be required to support B2B communications for services in the minimum services specification and meet any performance requirements specified in the B2B procedures¹. This is fully endorsed by the ENA.

Both rule changes also require that parties (DNSPs, retailers, metering coordinators, metering providers, metering data providers and third party B2B participants must use the B2B e-hub for B2B communications unless they have agreed between themselves to use an alternative method of communication. This is also fully endorsed by the ENA.

However, both rule changes require nomination and agreement by IEC to expand the range of services provided by the B2B e-hub beyond the minimum services specification. This is consistent with the views implemented throughout the metering contestability related processes that the system should be initially established to support the minimum range of services to enable cost effective service to customers. Additional service delivery is left to commercial negotiation.

ENA has consistently argued that B2B should also encompass broader advanced service delivery. ENA continues to believe that operation of an enhanced range of network services must be delivered with the introduction of contestable metering.

¹ AEMC *Consultation paper: National Electricity Amendment (Updating the electricity B2B framework) Rule 2015*, 17 December 2015, p. 11

For example, ENA believes that customers will expect continuation of load control services, such as off-peak hot water services, that currently operate to mitigate their electricity costs. Delivery of an upgraded 'smart' service that is not able to reliably and cost effectively encompass such past conveniences is likely to be received as a poor experience by customers.

In order to ensure reliable and effective delivery of current and new advanced services to small customers, ENA considers that the new B2B procedures and upgraded B2B e-hub must be introduced at the same date as the metering contestability rule change commencement.

As noted earlier in this submission, ENA considers that the current implementation schedule cannot be successfully delivered. ENA has offered two options that we consider are most likely to achieve the key objective of successful introduction of contestable metering for small customers, either development B2B procedures by the current IEC with formal reconstitution of the IEC delayed until after commencement **or** delayed commencement of metering contestability.

ENA notes that the changes underway to introduce contestable metering for small customers constitute the most comprehensive and major change to service delivery for the mass market. It will be important for successful introduction of these changes that impacts upon and experiences by small customers are positive.

In order to ensure the best outcome for customers and mitigate against poor customer experience, ENA considers that a 'readiness review' needs to be undertaken mid 2017 to ensure market participant and system preparedness prior to commencement of the major changes associated with metering competition.

If the readiness review indicates significant barriers to successful implementation, the commencement date for metering contestability and related changes should be reviewed.

Recommendations

ENA recommends that:

6. The new B2B procedures and upgraded B2B e-hub must be introduced at the same date as the metering contestability rule change commencement.
7. A 'readiness review' needs to be undertaken mid 2017 to ensure market participant and system preparedness prior to commencement of the major changes associated with metering competition.
8. New B2B procedures should include advanced services including network services such as load control that customers currently expect.

APPENDIX 1: AEMC QUESTIONS AND PROPOSED RESPONSES FROM ENA

| Qu. No. | AEMC question | Proposed ENA response |
|-----------------------------------|--|---|
| Box 5.1 Proposed B2B arrangements | | |
| 1 | Given the changes to the NER from the competition in metering and embedded networks final rules and the new services that can be offered using advanced meters, is there a need to update the current B2B framework? | Yes. The B2B framework must be expanded to cover advanced metering services enabled by upgraded meters for small customers. |
| 2 | What are the most appropriate arrangements for IEC/Retail Industry Panel membership, including the arrangements for election/appointment of members and requisite qualifications of members? | <p>ENA supports the composition of the IEC as proposed by the COAG Energy Council with three significant alterations:</p> <ol style="list-style-type: none"> 1. the replacement of proposed discretionary representatives by a second DNSP and a second retailer representative. This reflects the fact that these groups will be at greatest financial exposure to fees to support the B2B system development and operation and have greatest incentive to ensure efficient and cost effective operation. This increased representation also recognises the need for DNSPs to cover major jurisdictional differences and to ensure representation of both major and second/third tier Retailers. 2. The Chair of the IEC must be an independent member to ensure impartiality and maintenance of decisions and processes in line with the B2B Principles. The Chair would be elected from the two independent members by the membership of the IEC. Past experience within the IEC has underlined the value of this strategy. For clarity, ENA does NOT support allocation of the Chair to an AEMO representative. 3. Independent members are to be nominated by a market participant and voted upon by representatives of all market participants. Once B2B participants are established in the market, they should also be eligible to nominate and vote on independent and discretionary members of the IEC. <p>Voting and decision making provisions would be amended in line with the above provisions.</p> |

| Qu. No. | AEMC question | Proposed ENA response |
|--|--|--|
| 3 | What are the appropriate arrangements for the making of B2B procedures, including the decision-making process, decision-making criteria and the split of roles between AEMO and the IEC/Retail Industry Panel? | ENA considers that the key strength of the IEC is decision making by industry parties most impacted by the issues under consideration. ENA does not support enhanced power to AEMO to override or set aside decisions by the industry body. |
| 4 | Are the proposed obligations on parties appropriate, including the accreditation requirements and Red and Lumo's proposed certification requirements? | <p>ENA endorses the concerns raised by retailers on the need to ensure that new participants operate system compliance and security to maintain overall system integrity.</p> <p>ENA endorses the need for both accreditation and system certification as identified in the Red/Lumo Energy rule change request.</p> |
| 5 | What would be the benefits of, or issues with, requiring third parties to become registered participants to use the B2B e-hub? | <p>ENA notes that requiring third parties to become registered participants to utilise the B2B e-hub sets the barrier for service delivery quite high and may slow development of services by third parties for the long term benefit of customers.</p> <p>ENA considers the compromise position put forward by Red/Lumo Energy to be an appropriate position at this time. It is also likely to assist management of implementation timeframes. The issue of making third party participants registered participants may be reconsidered at a later date.</p> |
| Box 5.2 Impact of changes to B2B arrangements under recent rule changes | | |
| 1 | Given the proposed rules are based on the competition in metering draft rule, what changes should be made to the proposed rules as a result of the competition in metering and embedded networks final rules? | ENA considers that the current IEC should be tasked with undertaking development of amended B2B procedures to support advanced metering services to provide the best chance of meeting a commencement date of 1 December 2017 |
| Box 5.3 Questions on implementation | | |
| 1 | If a rule is made, is a 1 December 2017 implementation date for the new B2B procedures and upgraded B2B e-hub achievable? If not, why not and what is an alternative date? | <p>ENA considers that the new B2B procedures and upgraded B2B e-hub must be introduced at the same date as the metering contestability rule change commencement.</p> <p>As noted above, ENA considers that changes to the IEC should be delayed and the current IEC should be resourced and tasked to immediately commence development of the B2B procedures to support metering competition and advanced metering services.</p> |

| Qu. No. | AEMC question | Proposed ENA response |
|---------|---|--|
| | | <p>If reconstitution of the IEC is undertaken prior to commencement of review of procedures, then the commencement date for contestable metering should be delayed by 12 months.</p> <p>Regardless of the outcome relating to timing of reconstitution of the IEC, ENA considers that a 'readiness review' needs to be undertaken to ensure preparedness prior to commencement due to the significance of the impact of the changes on small customers and the need to mitigate risk of adverse experiences.</p> |
| 2 | <p>Which implementation tasks above may be at risk of not being met in the given timeframes and why? Would any of the timeframes need to be adjusted? Can any of these tasks be completed sooner, eg developing the election procedures and operating manual, or do some of them require more time? How would any changes impact other timeframes and the target deadline of 1 December 2017?</p> | <p>ENA has made earlier recommendations to enable bringing forward these issues (by enabling the current IEC to commence work on procedure changes). ENA considers that the most critical requirement is that all essential processes and procedures are completed before commencement of metering competition. This includes the suite of changes required for metering contestability, embedded networks and the B2B framework upgrade.</p> <p>As noted above, ENA believes that a readiness review should be undertaken in mid 2017 to ensure preparedness prior to commencement. If the 'readiness review' indicates that systems and major participants will not be ready on the proposed commencement date, then this of the set of rule changes should be delayed past the deadline (1 December 2017). (metering contestability; embedded networks; meter replacement; and upgraded B2B procedures)</p> |
| 3 | <p>Are any implementation steps missing?</p> | <p>ENA is most concerned that implementation is not possible in the proposed timeframe.</p> |
| 4 | <p>How much time would participants expect to need to update their systems to comply with the new B2B procedures and use the upgraded B2B e-hub? When can participants commence this work, for example can work commence following publication of draft B2B procedures?</p> | <p>Industry participants will need a minimum of 12 months lead time to implement system and process changes, particularly with many vendors involved.</p> <p>ENA does NOT support undertaking system upgrades on the basis of draft outcomes, as this results in addition cost and complexity in making the changes.</p> |
| 5 | <p>Should any of the steps have reduced requirements to speed up implementation, such as an exemption from having to follow the rules consultation procedures? Which steps could be run concurrently with other steps? Are there any further options that could be considered to minimise implementation timeframes?</p> | <p>ENA does not support introduction of exemptions from following consultation procedures, as the detail required in these changes has significant potential impact throughout participant systems.</p> <p>ENA has proposed that the current IEC commence development of new B2B procedures to have these completed by December 2016</p> |